

**MINUTES
of the
FIFTH MEETING
of the
MORTGAGE FINANCE AUTHORITY ACT OVERSIGHT COMMITTEE**

**November 13, 2014
Mortgage Finance Authority Office
344 Fourth Street SW
Albuquerque**

The fifth meeting of the Mortgage Finance Authority (MFA) Act Oversight Committee was called to order by Senator Nancy Rodriguez, chair, at 10:07 a.m. on November 13, 2014 at the office of the MFA in Albuquerque.

Present

Sen. Nancy Rodriguez, Chair
Rep. Ernest H. Chavez, Vice Chair
Rep. Alonzo Baldonado
Sen. Lee S. Cotter
Rep. Roberto "Bobby" J. Gonzales
Sen. Cisco McSorley

Absent

Rep. Thomas A. Anderson
Sen. Stuart Ingle

Advisory Members

Rep. Nathan "Nate" Cote
Rep. Sandra D. Jeff
Rep. James Roger Madalena
Sen. Richard C. Martinez
Sen. Michael Padilla
Sen. Sander Rue

Rep. George Dodge, Jr.
Sen. Bill B. O'Neill
Sen. Gerald Ortiz y Pino

Staff

Renée Gregorio, Legislative Council Service (LCS)
Sharon Ball, LCS
Celia Ludi, LCS

Minutes Approval

Because the committee will not meet again this year, the minutes for the meeting have not been officially approved by the committee.

Guests

The guest list is in the meeting file.

Handouts

Copies of all handouts and written testimony are in the meeting file.

Thursday, November 13

Adoption of October Meeting Minutes

On a motion duly seconded, the minutes of the October 8 meeting were adopted without objection.

Welcome

Jay Czar, executive director of the MFA, handed out a news article about the opening of the Silver Moon apartment complex in downtown Albuquerque and said that the apartments are for young workers and that New Mexico Housing Trust Fund money helped to accomplish this project. Mr. Czar highlighted several projects that the MFA is working on, which include communication with the State Board of Finance on a community living project in Santa Fe as well as working with Lea County, Eunice and Jal on housing in those areas. He also mentioned attending a national association meeting recently, in which all 50 states' housing finance agencies were represented, and said that two sessions were led by MFA staff members.

In response to questions from committee members, the following points were addressed.

- The Silver Moon project cost was \$13.5 million for 151 units, of which 60 are currently rented. At the current rental rate, all units should be full by spring. These apartments are targeted for low-income residents.
- For a project such as the Silver Moon apartments to be successful, subsidies need to amount to at least 15% to 20% of the cost.

Changes to Existing and Proposed Rules Promulgated by the MFA

Marjorie Martin, attorney for the MFA, directed committee members to page 16 of the rules and regulations for the MFA, where the only proposed change occurred. The change is in Section 7, the Housing Opportunity Fund (HOF), under Section 7.3, "Use of Funds", which delineates how money and other assets from the HOF are disbursed. The change to this section comes under Subsection D, which states that the HOF shall be disbursed "to pay costs of acquisition, rehabilitation and/or construction of Affordable housing projects" and adds the language: "as well as single family mortgages". Committee members had no questions on this addition, and on a motion duly seconded, the change to the rules was adopted.

2012-2014 MFA Strategic Plan

Gina Hickman, deputy director of finance and administration, MFA, and Joseph Montoya, deputy director of programs, MFA, reviewed the MFA's stated objectives and the strategies behind those objectives. They emphasized that the strategic planning process ties into all of the MFA's goals and that the MFA is at the end of a three-year cycle. Ms. Hickman and Mr. Montoya described the MFA's five goals and the objectives that fall under each.

Mr. Montoya spoke of Goal 1, "development of stronger communities", as having a focus of increasing the MFA's capacity, getting the word out on its programs and finding ways to focus externally. Within the objectives under that first goal are helping cities and municipalities to provide affordable housing plans, keeping customers satisfied and providing a dynamic environment in terms of federal regulations and markets. He reiterated the importance of this focus and said that the MFA is always looking for new ways of getting funding.

Ms. Hickman spoke about Goal 2, which is to encourage home ownership. She stated that the MFA did not meet its three-year production goal for home ownership (the three-year goal was to provide mortgage financing to 3,180 first-time homebuyers; the MFA made 2,980 loans). She said that the mortgage market has been down in general and that lenders indicate that poor credit and excess debt are the major obstacles. Ms. Hickman said that as the MFA enters the new year, the board has directed it to look at a more comprehensive marketing initiative for mortgage products. In reviewing the MFA's other objectives under this goal, Ms. Hickman said that the MFA has provided increased assistance to rural areas; has assisted in the attorney general's Homeownership Preservation Initiative by providing technical assistance for the counseling component of the program and fiscal agent services; has met its three-year objective as well as its annual objective to assist 950 homebuyers through pre-purchase counseling; has exceeded its goal of rehabilitating and weatherizing existing housing units; is winding down its Neighborhood Stabilization Program and has met all projected activities; has defined and maintained the MFA's single-family mortgage market share at 35%; and has diversified its revenue base, updated its economic feasibility models and concluded that sub-servicing appears to be a viable revenue-generating activity. The MFA gained knowledge about operating efficiently, Ms. Hickman added.

In discussing Goal 3, which is related to rentals and group shelters, Mr. Montoya said that there is an increasing demand for rental housing throughout the state and metro area and that the MFA far exceeded its benchmarks for the amount of rental housing it assisted in financing. In reviewing other objectives under this goal, he added that the MFA has created and maintained long-term viable rental properties; has increased the number of people served and quality of that service in its homeless program; and developed services to preserve quality rental housing. He also said that the Asset Management Department performed all of its required long-term compliance monitoring of all affordable housing programs in its purview.

Ms. Hickman then reviewed Goal 4, which is related to talent and operations. Included in its objectives, which were all met, are monitoring the strategic planning process; ensuring that each department explores training alongside continuous improvement, making operations more efficient, retaining quality employees and ensuring staff satisfaction; evaluating and managing risk; reviewing its disaster recovery plan and corporate insurance coverages; evaluating its servicing and home ownership departments; identifying changes needed to ensure compliance with all new regulations; ensuring data security; and looking at ways to incorporate sustainable "green" measures where feasible at the MFA's facilities and grounds.

Mr. Montoya completed the review of the MFA's strategic plan with Goal 5, related to financial stewardship. Within this goal, the MFA met several financial benchmarks, such as a five-year rolling average rate of return of .51%, general fund excess revenues over expenses of over \$6 million and maintaining general fund cash reserves. Other objectives met include researching, developing and implementing a program evaluation tool for assessing new and existing programs and operations; approval of the MFA's financial statements by the state auditor; and diversifying the MFA's revenue base to sustain the agency over time. Objectives not met include maintaining loan defaults, workouts, foreclosures and grant noncompliance losses below a three-year goal of \$1,550,000 and losing \$400,000 in grant funds.

In response to questions from committee members, the following points were addressed.

- The MFA took legislative suggestions to be more engaged with communities in discussing its programs, increasing outreach via its web site, hosting large events such as the Housing Summit and increasing marketing initiatives, all of which have led to an increase in mortgages in rural areas.
- The MFA has been engaged in less bonding and more selling of loans in the secondary market, which requires it to review mortgage rates daily, with the intent of driving demand and giving first-time homebuyers the opportunity to take advantage of low mortgage rates.
- The MFA has a vision of providing rental housing, especially for the younger renter, and especially within cities.
- All objectives that the MFA did not meet in its strategic plan will be reevaluated as goals, with incentives based on the new goals.

Foreclosure Process Task Force Update

Senator Padilla, accompanied by Vicki Plevin, attorney, and Diana Dorn-Jones, executive director of the United South Broadway Corporation, and members of the Foreclosure Process Task Force, gave an update on the task force's charge of recommending improvements on the foreclosure process to the legislature. Other members of the task force were also in the audience and were introduced by Senator Padilla. They presented a final report and recommendations as well as a summary report. Senator Padilla also said that the task force was in the process of drafting legislation based on recommendations that surfaced from the task force's work.

The recommendations reviewed by the task force members include the following:

1. reaffirm that New Mexico is a judicial foreclosure state with filing and notice of sale requirements, which would remove ambiguity about the rights of all homeowners in the state to have court oversight of foreclosures with due process protections for homeowners, whether the loan is a traditional mortgage or a deed of trust;
2. reduce the enforcement time of deficiency judgments to four years; deficiency judgments result from a home sale following foreclosure that is at a price less than the amount of the judgment debt;

3. enact mortgage servicing standards so that borrower-lender communication is improved and homeowners are provided with better information about options other than foreclosure; state standards would fill any gaps in federal protections and provide local oversight and help homeowners in their chances of avoiding foreclosure;

4. extend the mediation program currently operating in judicial districts 2 and 13, which would mandate settlement facilitation conferences for new residential foreclosure actions involving owner-occupants, and would be based on the models currently in place in those judicial districts; this would require funding;

5. appropriate money for a statewide pre-purchase homebuyer education program, since such programs are known to significantly lower delinquency and foreclosure rates;

6. reduce the number of homes that become vacant and abandoned because of foreclosure; and

7. appropriate money to provide state support for the task force to continue its work.

In response to questions from committee members, the following points were addressed.

- Often, abandoned homes are vandalized and in some districts, such as zip code 87121, 25% of homes are in foreclosure or abandoned, and the length of time these homes are in this state varies from about 400 days to two or three years. Working with municipalities so that they know where foreclosed properties are located and who owns them is critical.
- Getting bankers, governmental entities such as the federal Department of Housing and Urban Development and municipalities at the same table is crucial.
- Accomplishing short sales or deeds in lieu of foreclosure is not a simple matter, and there are many cases in which homeowners want the bank to take the property and the banks will not do so.
- The ideal situation is to use court mediation to keep families in their homes and to negotiate a payment that they can afford, rather than displacing families.
- The two solutions seem to be centered around either keeping people in their homes, if possible, or if there has been a determination that homeowners no longer want their property, to speed up the process of selling the home or having the bank take the property.

MFA 2015 Legislative Agenda — Final Review and Endorsement of Bills

Mr. Montoya and Ms. Ludi presented proposed legislation to the committee. Mr. Montoya briefly described each piece of legislation, many of which the MFA had brought before the committee in prior years. The following shows the endorsed legislation by LCS 202 file number, the proposed sponsors for each bill and a brief description of each piece of legislation. (It should be noted that although every piece of legislation presented was endorsed by a majority

vote, in three cases there were two dissenting votes for: (1) .197848; (2) .197932; and (3) .197851. Bill .197850 had one opposing vote.)

.197845.1

Sponsor: Senator Mary Kay Papen

Appropriates \$250,000 for the MFA's oversight of the regional housing authorities. In 2006, the MFA was mandated by the state to oversee these authorities, but the MFA has received no state funding to do so.

.197848.1

Sponsor: Senator Papen

Amends the Regional Housing Law to transfer oversight of the regional housing authorities from the MFA to the Department of Finance and Administration (DFA). This piece of legislation is paired with .197845.1 and would be brought forth if recurring funding for the MFA's oversight of regional housing authorities is not successful. (Representative Baldonado and Senator Cotter opposed the bill.)

.197847.1

Sponsor: Senator Ingle

Appropriates \$250,000 for the MFA's oversight of the Affordable Housing Act. The MFA is mandated by the state to oversee that act, but the MFA receives no state funds to do so. In addition to funding oversight, this funding would allow the MFA to provide technical assistance to local communities for development and implementation of affordable housing plans and ordinances.

.197932.1

Sponsor: Senator Ingle

Amends the Affordable Housing Act to transfer oversight of the Affordable Housing Act duties and responsibilities from the MFA to the DFA. Again, this piece of legislation is paired with the appropriation in .197847 and would be brought forth if recurring funding for the MFA's oversight of the Affordable Housing Act is unsuccessful. (Representative Baldonado and Senator Cotter opposed the bill.)

.197849.1

Sponsor: Senator Rodriguez

Appropriates \$5 million to the New Mexico Housing Trust Fund to carry out the provisions of the New Mexico Housing Trust Fund Act. It is noteworthy that for every dollar appropriated, at least an additional \$14.00 are leveraged to finance affordable housing; thus, this appropriation would leverage \$70 million to build more than 500 affordable homes for low-income New Mexicans.

.197850.1

Sponsor: Senator Martinez

Appropriates \$1 million for a residential energy conservation program to increase energy efficiency and reduce energy expenditures in homes occupied by low-income New Mexicans. This appropriation would provide weatherization for approximately 200 additional homes statewide. (Representative Baldonado opposed the bill.)

.197851.1

Sponsor: Representative Luciano "Lucky" Varela

Appropriates \$2 million for the MFA to provide emergency and minor home repairs for low-income New Mexicans. (Representative Baldonado and Senator Cotter opposed the bill.)

.197956.3

Sponsor: Senator Rue

Amends the Affordable Housing Act to provide an exemption to the long-term affordability requirement to resell foreclosed properties, to provide penalties for enforcement of that act and to clean up language to clarify definitions and rules.

.197853.1

Sponsor: Senator Rue

Amends the Affordable Housing Tax Credit Act to clarify that local government contributions are not eligible for state tax credits.

.197572.1

Sponsor: Senator Martinez

Appropriates \$2 million for the MFA to provide rehabilitation of homes occupied by low-income, honorably discharged veterans in New Mexico.

Adjournment

There being no further business before the committee, the meeting adjourned at 12:19 p.m.